

of about 77 per cent, upon the circulation thus redeemed. The New York stocks sold on the average for 92.86 per cent. ; Michigan stocks came next at 72.95 per cent.; Indiana bringing up the rear at 49.08 per cent.

The fact that individuals could issue notes under the free banking law upon the deposit of securities led to many visionary efforts to exploit credit and resulted in 1844 in legislation requiring an individual banker to deposit securities to the amount of not less than \$50,000 and to transact business in the place in which he resided. A market was created in New York for a time for securities which did not find a ready sale elsewhere and quotations for such securities were strengthened, but this market was destroyed by the Act of 1840, limiting the securities thereafter accepted to those of New York. Such changes gradually strengthened the system until there was little to be desired on the single ground of security. The failures during the first twelve years of the free banking system showed losses of \$326,000, or only \$27,200 per year on an average circulation of about \$6,000,-000. This was less than one-half of one per cent, per year and the losses in the remaining fifteen years of the operation of the system averaged only \$4800 per year on a circulation of about \$22,000,000, or less than one-fortieth of one per cent. The circulation issued under the free banking law was not a strong reliance, however, in times of pressure and was threatened at such times, when strength was most needed, by the decline in securities. It had little elasticity and did not meet the demands of the business community in this respect nearly so well as the circulation of the safety fund banks. Defects of detail were gradually eliminated, however, and the system was successful enough to attract attention in Canada in 1850 and to become the model of the national banking system of the United States in 1863.

The banking laws of New York were followed also in many Western States, but not always closely enough to assure the later systems the solidity of the original. The State Bank of Ohio, created in 1845, was one of the best of these institutions and its note issues were protected by a